

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109
	)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208

**REPLY COMMENTS OF GENERAL COMMUNICATION, INC.  
ON SECTIONS XVIII-R OF THE CAF/ICC  
FURTHER NOTICE OF PROPOSED RULEMAKING**

**INTRODUCTION AND SUMMARY**

General Communication, Inc. (“GCI”) hereby submits reply comments in response to subsections L through R of Section XVII of the Federal Communications Commission’s (“FCC” or “Commission”) *Connect America Fund Report and Order and Further Notice of Proposed Rulemaking* (“CAF/ICC FNPRM”).<sup>1</sup> As it did in previous comments in this proceeding, GCI

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<sup>1</sup> *Connect America Fund; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Lifeline and Link-Up; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; A National Broadband Plan for Our Future; Universal Service Reform – Mobility Fund,*

continues to urge the Commission to adapt its interconnection rules and definitions to Alaska's unique network architecture, and to resist calls to address inappropriate forbearance requests as part of this proceeding. GCI furthermore agrees with the Commission that a nationwide bill-and-keep regime where all originating access charges go to zero is appropriate in Alaska, and disagrees with commenters that support an Alaska-specific exemption, which would in fact be harmful to Alaska. Finally, GCI – as a customer itself – supports its subsidiary United Utilities, Incorporated's ("UUI") non-discriminatory and market-based pricing for terrestrial middle-mile in Alaska.

**I. THE CALLING PARTY SHOULD BE FINANCIALLY RESPONSIBLE FOR THE INTEREXCHANGE SEGMENT OF A CALL TRANSPORTED WITHIN ALASKA AND THE NETWORK EDGE SHOULD BE DEFINED AS THE LEC LOCAL CALLING AREA.**

As GCI stated in its initial comments, "[i]n Alaska, because the network architecture differs from that of the Lower 48 contiguous states, network edge rules adopted for the Lower 48 will likely not fit."<sup>2</sup> Any rational bill-and-keep implementation—or other interconnection rules—in Alaska must reflect this reality, both with respect to financial responsibility and the point of interconnection ("POI"). Thus, while some propose lopsided edge rules for Alaska, the least disruptive and fairest way of addressing this issue continues to be to require a *default* arrangement that, when traffic must pass through an interexchange carrier ("IXC"), each carrier

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Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd. 17663, (2011) ("CAF/ICC FNPRM").

<sup>2</sup> Comments of General Communication, Inc. on Sections XVII.L-R, at 2, WC Docket Nos. 10-90 et al. (filed Feb. 24, 2012) ("GCI Comments"). As noted in GCI's comments, Alaska does not have tandem switches, and also has costly satellite transport between villages, even within the same Incumbent Local Exchange Carrier ("ILEC") study area. Yet Alaska also constitutes a single Major Trading Area ("MTA"). In addition, traffic exchange in Alaska frequently involves three carriers—an originating carrier, an IXC and a terminating carrier—not just two, the originating and terminating carrier. In Alaska, as in the Lower 48, it is also possible to have a transit carrier on either end of the call.

establishes a POI in its service area with any requesting state-certified IXC. Furthermore, in Alaska, the network edge should be clearly defined as the LEC local calling area boundary, not the study area boundary.

As described in more detail in GCI's initial comments, under this proposal, all originating carriers would be responsible for delivering originating traffic bound for destinations outside of the local exchange area to the appropriate IXC POI (which, for wireline, would be the presubscribed interexchange carrier or a dial-around carrier), and, consistent with bill-and-keep, would not assess an origination fee on the IXC. The originating caller (or if the originating caller does not have a customer relationship with the IXC, the originating carrier acting in lieu of the originating caller) would bear the financial responsibility for the charges for the interexchange segment. GCI's initial comments also noted that "[t]he IXC would then deliver the traffic to the terminating carrier at a POI in the terminating carrier's service area, and the terminating carrier, consistent with bill-and-keep, would not assess a termination fee."<sup>3</sup> This proposal also preserves the current practice followed by Alaska Local Exchange Carriers ("LECs"), which route calls to numbers outside the local calling area to end users' presubscribed interexchange carriers, unless a CMRS carrier has established a local point of presence within the local calling area.

GCI opposes Alaska Communications System Group's ("ACS") suggestion that the originating service provider should have the responsibility "to deliver traffic to the terminating provider's network edge,"<sup>4</sup> and GVNW's suggestion that "rural carriers be required to carry traffic to their exchange boundary or existing meet point."<sup>5</sup> Neither of these proposals

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<sup>3</sup> GCI Comments at 6.

<sup>4</sup> Comments of Alaska Communications Systems Group on Sections XVII.L-R, at 5, WC Docket Nos. 10-90 et al. (filed Feb. 24, 2012) ("ACS Comments").

<sup>5</sup> Comments of GVNW Consulting, Inc. on Sections XVII.L-R, at 14, WC Docket Nos. 10-90 et al. (filed Feb. 24, 2012) ("GVNW Comments").

adequately addresses the presence of the IXC or the fact that Alaska is a single MTA. Under ACS' proposal, small rural wireline carriers, rather than the presubscribed IXC's customers, would be required to pay IXC charges. It would also shift these charges into wireline local service rates. At the same time, it would reduce intrastate IXC competition because the originating wireline carrier, rather than the originating wireline caller, would be selecting the IXC.

GVNW's proposal would shift long distance charges in the other direction—to terminating carriers—whenever rural ILEC customers place a call to a party outside of the local calling area. This would essentially give rural wireline carriers free statewide calling. There is no reason for such a result. Indeed, wireline callers should continue bear those charges and select the long distance carrier they wish to use. GCI stresses that its proposed three-carrier model for bill-and-keep and network edges would not require any LEC, including Rural LECs ("RLECs"), to carry traffic outside of the LEC's local service area and would provide for the customer or the customer's originating carrier to pay the IXC.

## **II. THE FCC SHOULD NOT EXEMPT ALASKA FROM REDUCTIONS IN ORIGINATING ACCESS AND SHOULD REJECT REQUESTS TO CHANGE ORIGINATING ACCESS RULES FOR VOIP.**

GCI supports the Commission's proposal to bring originating access charges to zero,<sup>6</sup> and disagrees with ACS's argument that "the Commission should exempt Alaska from any changes to originating access."<sup>7</sup> GCI also disagrees with the Alaska Rural Coalition's ("ARC"), and GVNW's arguments that originating access charges should not be subject to a national transition

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<sup>6</sup> See *CAF/ICC FNPRM*, ¶ 1298.

<sup>7</sup> ACS Comments at 5.

to zero.<sup>8</sup> In fact, the worst case scenario for Alaska would be if its originating access charges were to remain high, and all carriers in the Lower 48 were to go to zero. Such a result would not be a true bill-and-keep regime and would halt the development of terrestrial middle-mile facilities for rural Alaska.

Alaska is unique among states in requiring all long distance carriers to offer originating service to every location in the state, thus forcing these carriers to purchase originating access. Additionally, as a practical matter, interstate long distance rates are set on a national, not in-state, basis because nationwide long distance carriers must integrate their Alaska rates with rates in the rest of the country. If Alaska were exempted from a national plan, Alaska-based long-distance carriers that invest in IXC facilities in Alaska would be crippled. Under the Commission's proposed bill-and-keep regime, while nationwide IXCs operating primarily outside of Alaska would be reducing their costs and reducing long distance rates to compete with alternative long distance providers like cellular and VoIP, Alaska's IXCs (including resellers) would be burdened with much higher access charge rates. Alaska's IXCs would be placed in a regulatory price squeeze between retail prices capped by integrated national pricing and costs that far exceed all other parts of the country. This would drastically reduce the free cash flow that facilities-based IXCs could use to construct and operate the new terrestrial middle-mile facilities needed to support robust broadband service.

This approach would likely harm – or at least not benefit – Alaska rate-of-return ILECs . While ACS, a price cap carrier, may be able to obtain some revenues from originating access charges even if the rest of the U.S. eliminates those revenues, it is not at all clear that Alaska's RLECs would benefit. All Alaka ILECs other than ACS participate in the NECA Traffic

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<sup>8</sup> See Comments of the Alaska Rural Coalition on Sections XVII.L-R, at 5-6, WC Docket Nos. 10-90 et al. (filed Feb. 24, 2012); ACS Comments at 4-5; GVNW Comments at 8-11.

Sensitive Pool. It is unclear what the role of the NECA Traffic Sensitive Pool would be during a period in which originating switched access charges were transitioning to bill-and-keep. To the extent the pool structure remained, Alaska rate-of-return ILECs in the pool would still receive their revenue requirement from the pool, with the only difference being the mix of revenue between access charges, CAF support, and a net settlement payment from NECA. If the national pool ceases to exist, then it is also not clear how the Alaska NECA companies could maintain revenue in the face of capped interstate access rates, when they are currently in the highest local switching bands and charge some of the highest interstate access charges in the country – at over four cents per minute.

GCI also reiterates its opposition to the NECA, USTA and Frontier/Windstream Petitions for Clarification or Reconsideration<sup>9</sup> asking the FCC to decide that VoIP-terminating traffic is subject to jurisdictional origination access rates, *i.e.*, that originating access charges for intrastate VoIP-terminating calls should not go to zero. As GCI argued in its response to those Petitions, there is no need for the Commission to “clarify” or disturb its treatment of PSTN-originated VoIP traffic.<sup>10</sup> The Commission’s decision on this point is clear: the toll VoIP rules apply to traffic “exchanged between a local exchange carrier and another telecommunications carrier in Time Division Multiplexing (“TDM”) format that originates and/or terminates in IP format.” The Commission drew no distinction between “originating” or “terminating” VoIP-PSTN traffic. Any change to the Commission’s decision would result in the payment of legacy intrastate access

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<sup>9</sup> See National Exchange Carrier Association, Inc., Organization for the Promotion and Advancement of Small Telecommunications Companies, and Western Telecommunications Alliance, Petition for Reconsideration and Clarification, WC Docket Nos. 10-90 et al. (filed Dec. 29, 2011); Frontier Communications Corp., Windstream Communications, Inc., Petition for Reconsideration and/or Clarification, WC Docket Nos. 10-90 et al. (filed Dec. 29, 2011).

<sup>10</sup> See General Communication, Inc., Comments on Petitions for Reconsideration, at 6-7, WC Docket Nos. 10-90 et al. (filed Feb. 9, 2012).

charges on traffic that terminates in IP, but not on traffic that originates in IP. This unbalanced result would simply complicate and delay the carefully crafted transition from legacy rates.

### **III. UUI'S TERRA-SW PRICING IS NON-DISCRIMINATORY AND MARKET-BASED, AND SHOULD NOT BE REGULATED.**

GCI also responds to arguments made in this proceeding that pricing for the TERRA-SW middle-mile network is discriminatory, “above market,” and/or should be regulated by the Commission.<sup>11</sup> GCI strongly disputes those accusations and arguments. As a primary matter, TERRA-SW is owned by UUI, a subsidiary of GCI, but not GCI itself. GCI does not get preferential access to TERRA-SW as UUI’s owner. Rather, GCI must purchase capacity on TERRA-SW in accordance with the same rates, terms, and conditions, including volume and term discounts, as are available to any other carrier or end user customer of UUI.

High-quality infrastructure is very costly to build and to maintain— particularly in Alaska. Carriers and potential TERRA-SW customers also continue to have an alternative to terrestrial broadband— satellite. While TERRA-SW can provide a superior alternative to satellite, those quality advantages support a higher market price.

As GCI has explained before in this proceeding, TERRA-SW is a hybrid microwave/fiber network providing terrestrial “middle mile” broadband service, for the first time, from Anchorage to 65 rural communities (including the regional centers of Bethel and Dillingham) throughout Southwest Alaska. This network connects these small communities to each other and to the global Internet, bringing with it significant education, health care, public safety, and economic development benefits. TERRA-SW is owned and operated by United Utilities, Inc. (“UUI”), a wholly-owned subsidiary of GCI. As a hybrid microwave/fiber network, TERRA-SW services are not subject to the same latency as satellite-based services, and thus provide

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<sup>11</sup> See *e.g.*, GVNW comments at 4-5, 12 n. 13

better support for real-time communications applications such as telehealth and distance learning.

The total cost of TERRA-SW (including DeltaNet) was \$143M. Of that amount, *only* \$44M is funded by a USDA RUS BIP grant. The remaining \$99M is at-risk capital in the form of an RUS BIP loan and commercial loans, amounting to approximately 70 percent of the total investment in TERRA-SW, and representing nearly \$10,000 per TERRA-SW household. No other telecommunications provider was willing to undertake the risk to build such a project in an economically thin and sparsely populated region of Alaska.

UUI is operating TERRA-SW in full compliance with the UUI-RUS loan/ grant agreement. UUI is obligated under its loan agreement with RUS to charge an amount sufficient to repay the loans undertaken for completion of the project. The rates must also be sufficient to service private debt and to provide a return on the significant private at-risk capital invested by UUI. UUI's revenues from TERRA-SW will sustain current deployment, and set the stage for an extension of TERRA-SW northward to the Nome region.

Consistent with FCC standards for interstate, domestic interexchange services, UUI offers telecommunications services on just and reasonable rates, *i.e.*, rates that are market-based. As is customary, discounts are available for larger volume purchases and for longer term commitments. In order to avoid even the appearance of unreasonable discrimination, UUI does *not* negotiate different rates for the same service, volume and term with different carriers or customers.



#### **IV. THE COMMISSION SHOULD NOT CONSIDER FORBEARING FROM UNBUNDLING REQUIREMENTS AS PART OF THIS PROCEEDING**

Contrary to ACS's suggestion,<sup>12</sup> the Commission should not forbear from unbundling requirements under Sections 251 and 252 of the Communications Act as part of this proceeding. In its 2010 *Qwest Phoenix* Order, the Commission set out a market power analysis to determine whether competition has increased sufficiently to render certain regulatory protections no longer necessary.<sup>13</sup> The circumstances set forth by ACS do not meet this standard, and even if they did, ACS's request should be presented in a Petition for Forbearance subject to appropriate statutory and procedural requirements.

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<sup>12</sup> See ACS Comments at 8-9.

<sup>13</sup> See *Petition of Qwest Corporation for Forbearance Pursuant to 47 U.S.C. § 160(c) in the Phoenix, Arizona Metropolitan Statistical Area*, Memorandum Opinion and Order, 25 FCC Rcd. 8622 (2010).

## CONCLUSION

GCI commends the Commission on its continuing efforts to reform and modernize the ICC system while recognizing the unique circumstances in Alaska. As part of its reforms, the Commission should set network “edges” for Alaska that are consistent with its existing market structure and properly align carrier and customer payment obligations. The Commission should, as well, include Alaska in its national plan for bill-and-keep. Finally, the Commission should not use this critical and already complicated proceeding to resolve unrelated matters, including requests for preferential below-market pricing for UII’s TERRA-SW network.

Respectfully submitted,

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/s/

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